

SB 193

EXHIBIT 8
DATE 4/8/2015
SB 193

Currently, three calculations determine an Agency Liquor Store's commission rate:

1. Individually negotiated commission
 - a. Re-negotiated regularly
 - b. Each bid can increase the rate – *no way to decrease the rate to adjust for decreased costs*
 - c. Loopholes and manipulation paths exist
2. Weighted Average Discount (WAD)
 - a. 54th Legislature (1995; HB 574)
 - b. What were the sales to bars in 1994? Let's make that snapshot permanent
 - c. 8% discount to bars buying by the case
 - d. Compensation rate to stores for that 8%
 - i. Some stores no longer even sell to bars, but they still get the compensation rate based upon a 20-year-old snapshot
3. Sales Volume Discount
 - a. Added in early 2000's
 - b. Bump in rate to smaller volume stores to help them stay afloat
 - c. Bump in rate to larger volume stores for political support

The three rates together, combined with the producer's price of liquor, is what you see as a posted price:

	Rates Today	Price Today	Rates after SB 193	Price after SB 193
FOB/case (from manufacturer)	168	168	168	168
Freight	\$1.57	\$169.57	\$1.57	\$169.57
Markup (state dictated)	40%	\$237.40	40.5%	\$238.25
Excise tax	16%	\$37.98	16%	\$38.12
License Tax	10%	\$23.74	10%	\$23.83
Posted Price per Case*		\$299.10		\$300.20
Difference in price to consumer				\$1.10/case (\$0.05/bottle)

*State rounds to the nearest nickel

But what is the commission rate?

Posted Price per Case – Individual Commission Rate – Weighted Average Discount (*snapshot of a 1994 sales volume, even if the no bars are serviced*) – Sales Volume Discount (*either 1.5% or 0.875% depending on if your volume is higher or lower than \$560K, adjustable for inflation*) = Paid to State

Proposed in SB 193

Level	Annual Purchase Total (in dollars)	Total Commission Rate
1	0-250K	16%
2	250K-500K	15.5%
3	500K-720K	15.0%
4	720K-950K	14.5%
5	950K-1.525M	14%
6	1.525M-1.85M	13.5%
7	1.85M-2.25M	13%
8	2.25M-3.25M	12.75%
9	3.25M-7M	12.5%
10	7M < etc	12.15%

Posted Price per Case – Commission Rate = Paid to State

- ✓ SB 193 will simplify the commission rates, and create a system based on today's operating reality
- ✓ Gently phased in over three years, based upon real-time purchasing levels from the State Liquor Warehouse
- ✓ SB 193 is financially stable for the future preservation of this triple tiered system